



## **SPECIAL FORBEARANCE OPTION**

The Special Forbearance is a written agreement between the mortgagee and a mortgagor that consist of a plan enabling the mortgagor to reinstate their loan. Ref: Mortgage Letters 2000-05 and 2002-17.

### **FACTS**

- Leads to restatement of the loan.
- No maximum duration.
- Maximum arrearage due may not exceed 12 months arrearage Principal, Interest, Taxes and Insurance.
- Must be in writing and state previously missed mortgage payments.
- Provide failure options.

### **SPECIAL FORBEARANCE TYPE I**

- Special Forbearance installment must be based on the mortgagor's ability to pay.
- May allow reasonable foreclosure costs and late fees accrued prior to execution of the agreement.
- Minimum duration of 4 months with no maximum length of time to repay the arrearage when required payments are increased.
- Minimum duration of 6 months with no maximum length to repay the arrearage; when required payments have a combination of suspended, reduced and/or full.
- Allow the mortgagor to pre-pay the delinquency at any time.

### **CAUSE OF DEFAULT IS UNEMPLOYMENT**

- Mortgagor has a good payment history and stable employment history.
- Based on mortgagor's ability to pay, mortgagee may require a partial payment; such as equal to monthly escrow requirement amount.
- Mortgagor agrees to actively seek employment during term of Special Forbearance.
- Mortgagor immediately notifies mortgagee when employment status changes.

### **SPECIAL FORBEARANCE TYPE II**

A Special Forbearance Type II combines a short-term Special Forbearance with a Loan Modification or Partial Claim as a single loss mitigation option.

- Loan must be due and unpaid three (3) months, but not more than 12 months due and unpaid delinquent.
- Requires monthly payments of minimum of three (3) installments before completing the Loan Modification or Partial Claim.

- Must have verifiable reduction in income or increase in living expenses, but has or will have sufficient monthly income to correct the delinquency and reinstate the loan within the duration of the plan.

### **FAILURE OPTIONS**

The following bullets provide the definition of Special Forbearance option failure. These options must be listed within the written Special Forbearance Agreement.

- The mortgagor abandons the property.
- The mortgagor advises the mortgagee that he/she will not follow through and fulfill the terms of the special forbearance agreement.
- The mortgagor allows two installments to become due and unpaid without any advisement to the mortgagee of any problems that rendered the mortgagor unable to stay current under the terms of the forbearance.

### **SPECIAL FORBEARANCE CLAIMS/INCENTIVE**

- Mortgagees receive \$100 incentive for claims submitted within 60 days of execution date of agreement.
- \$200 incentive if mortgagee is ranked in Tier 1.
- If foreclosure occurs, HUD pays Note Interest Rate rather than FHA Debenture Rate.

**If you have any question you may contact NSC at:**

National Servicing Center

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